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COPYRIGHT REMEDY CLARIFICATION ACT

OCTOBER 13, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 3045]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 3045) to amend chapters 5 and 9 of title 17, United States Code, to clarify that States, instrumentalities of States, and officers and employees of States acting in their official capacity, are subject to suit in Federal court by any person for infringement of copyright and infringement of exclusive rights in mask works, and that all the remedies can be obtained in such suit that can be obtained in a suit against a private person or against other public entities, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE OF THE LEGISLATION

The 1976 Copyright Act [1] completely revised the copyright laws of the United States. Consistent with the Congressional intent to establish a uniform system, the creation and enforcement of copyrights are primarily governed by the Federal law, and jurisdiction over disputes about copyrights lies exclusively in the Federal courts.

A concomitant of this policy of uniformity was the decision that, in general, defendants in copyright infringement suits would be treated equally, no matter what their status. When exceptions to this rule were deemed appropriate, they were explicitly set forth in the Copyright Act. The Congress specifically contemplated that

[1] Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified as amended at 17 U.S.C. 101 *et seq.* [hereinafter cited as "the Act"]).

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State governments [2] might be sued for copyright infringement and that the same rules that applied to private defendants should also apply to the States. Thus, States could be held liable for infringement, and all remedies applicable to private defendants were also made available in suits against the States.

Most of the judicial decisions interpreting the Act before 1985 had no difficulty in holding States liable to private parties for Copyright Act violations and in applying any appropriate remedy.[3] However, in 1985, the United States Supreme Court decided *Atascadero State Hospital* v. *Scanlon*,[4] which held that Congressional intent to abrogate State sovereign immunity must be explicitly and unambiguously stated in the language of the statute itself.[5]

While *Atascadero* was not a copyright case, a number of circuits have applied its reasoning to the copyright law in deciding that sovereign immunity bars plaintiffs in copyright infringement suits from recovering money damages from State defendants.[6] As the Ninth Circuit wrote in *BV Engineering* v. *UCLA:*

> [W]e are constrained by the Supreme Court's mandate that we find an abrogation of eleventh amendment immunity only when Congress has included in the statute unequivocal and specific language indicating an intent to subject states to suit in federal court. Such language is absent from the Copyright Act of 1976. We recognize that our holding will allow states to violate the federal copyright laws with virtual impunity. It is for Congress, however, to remedy this problem.[7]

H.R. 3045 clarifies that the intent of Congress when it passed the 1976 Copyright Act was that all defendants in copyright infringement suits, including States as well as private defendants, be liable for money damages. H.R. 3045 makes comparable amendments in the closely analogous Semiconductor Chip Protection Act of 1984.[8] The purpose of H.R. 3045, therefore, is to amend title 17 to clearly and explicitly abrogate State sovereign immunity to permit the recovery of money damages against States.

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[2] As used in this report, the terms "State governments" and "States" include State instrumentalities and State officials and employees acting in their official capacities.

[3] *See, e.g., Johnson* v. *University of Virginia*, 606 F. Supp. 321 (W.D. Va. 1985); *Mills Music, Inc.* v. *Arizona*, 591 F. 2d 1278 (9th Cir. 1979). *But see Wihtol* v. *Crow*, 309 F. 2d 777 (8th Cir. 1962).

[4] 473 U.S. 234 (1985).

[5] *Id.* at 246. For a detailed explanation of the Eleventh Amendment and other sovereign immunity doctrines, *see* Report of The Register of Copyrights, *Copyright Liability of States* iv (June 1988) (hereinafter cited as "Copyright Office Report").

[6] *See, e.g., Lane* v. *First National Bank of Boston*, 687 F. Supp. 11 (D. Mass 1988), *aff'd*, 871 F. 2d 166 (1st Cir. 1989); *BV Engineering* v. *UCLA*, 657 F. Supp. 1246 (C.D. Cal. 1987), *aff'd*, 858 F. 2d 1394 (9th Cir. 1988), *cert. denied*, 109 S. Ct. 1557 (1989); *Richard Anderson Photography* v. *Radford Univ.*, 633 F. Supp. 1154 (W.D. Va. 1986), *aff'd*, *Richard Anderson Photography* v. *Brown*, 852 F. 2d 114 (4th Cir. 1988), *cert. denied*, *Richard Anderson Photography* v. *Radford Univ.*, 109 S. Ct. 1171 (1989); *Woelffer* v. *Happy States of Am., Inc.* 626 F. Supp. 499 (N.D. Ill. 1985); *Cardinal Industries, Inc.* v. *Anderson Parrish Ass'n*, No. 83-1038-Civ-T-13 (M.D. Fla. Sept. 6, 1985), *aff'd*, 811 F. 2d 609 (11th Cir.), *cert. denied*, *Cardinal Industries, Inc.* v. *King*, 108 S. Ct. 88 (1987); *Mihalek Corp.* v. *Michigan*, 595 F. Supp. 903 (E.D. Mich. 1984), *aff'd on other grounds*, 814 F. 2d 290 (6th Cir. 1987).

[7] 858 F.2d at 1400.

[8] Pub. L. No. 98-620, 98 Stat. 3347 (1984) (codified as amended at 17 U.S.C. 901-914).

II. Statement of Legislative Actions

In response to the various judicial decisions finding that State sovereign immunity was a bar to the recovery of money damages in a copyright infringement suit, Representative Robert W. Kastenmeier, Chairman of the House Judiciary Subcommittee on Courts, Intellectual Property, and the Administration of Justice, and Representative Carlos Moorhead, the ranking Republican Member of that Subcommittee, requested the United States Register of Copyrights, Ralph Oman, to study the issue. Specifically, they requested the Register:

> (1) to conduct an inquiry concerning the practical problems relative to the enforcement of copyright against state governments;
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> (2) to conduct an inquiry concerning the presence, if any, of unfair copyright or business practices vis a vis state government with respect to copyright issues; and
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> (3) to produce a "green paper" on the current state of the law in this area and an assessment of what constitutional limitations there are, if any, with respect to Congressional action in this area.[9]

In June 1988, the Register delivered his report. It found:

> [that] the comments did not reflect a single complaint regarding unfair copyright or business practices by copyright owners with respect to state governments' use of copyrighted materials * * *, [and that] copyright owners found injunctive relief, which would be the only remedy available in copyright infringement cases against states if states have Eleventh Amendment immunity, is inadequate as a deterrence to copyright infringement.[10]

Based on the Copyright Office's extensive survey of the practical implications of judicial holdings on sovereign immunity in the copyright area, and on its study of the related legal issues, the Register concluded that in 1976, Congress intended to hold States liable for all Copyright Act remedies, that copyright owners faced immediate harm as a result of the sovereign immunity bar, and that courts have found that Congress "did not express clearly in the language of the Copyright Act its intention to abrogate the Eleventh Amendment according to the rigorous *Atascadero* standard announced in 1985." [11]

On February 27, 1989, Chairman Kastenmeier and Representative Moorhead introduced H.R. 1131, the Copyright Remedy Clarification Act, at the request of the Copyright Office. H.R. 1131 implemented the recommendation of the Copyright Office report that Congress abrogate State sovereign immunity in copyright cases.

Similarly, on March 2, 1989, Senator Dennis DeConcini, Chairman of the Senate Judiciary Subcommittee on Patents, Copyrights

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[9] Letter from the Honorable Robert W. Kastenmeier, Chairman, House Judiciary Subcommittee on Courts, Intellectual Property, and the Administration of Justice, and the Honorable Carlos Moorhead, to Ralph Oman, Register of Copyrights (Aug. 3, 1987).

[10] Copyright Office Report, *supra* note 5, at iv.

[11] Copyright Office Report, *supra* note 5, at vii.

and Trademarks, introduced S. 497, which was identical to H.R. 1131.

On Wednesday, April 12, 1989, the Subcommittee held its first hearing on H.R. 1131. It heard testimony from the Register of Copyrights, Mr. Oman, who elaborated on the findings of the Copyright Office and his support for H.R. 1131.

On July 11, 1989, the Subcommittee held its second hearing. The hearing followed the Supreme Court's decisions in five cases giving new guidance on the issue of State sovereign immunity, and on the constitutional requirements for abrogation. See discussion below. Prior to the hearing, a new draft of H.R. 1131 was circulated, which incorporated the Supreme Court's requirements.

The witnesses at the hearing were Carol Lee, a partner at the law firm of Wilmer, Cutler & Pickering; Barbara Ringer, a former Register of Copyrights; Myer Kutz, Vice President, Scientific and Technical Publishing, John Wiley & Sons, Inc., on behalf of, and the Chairman of the Copyright Committee of the Association of American Publishers and also on behalf of the Copyright Remedies Coalition; Bert P. van den Berg, President, BV Engineering Professional Software, on behalf of the Software Publishers Association and ADAPSO: August W. Steinhilber, General Counsel, National School Board Association and Chairman, Educators' Ad Hoc Committee on Copyright Law; and Allen Wagner, University Counsel, University of California.

Ms. Lee, an expert on the sovereign immunity issue, testified about the Supreme Court's requirements for effective and constitutional abrogation, and about her belief that the new draft met those requirements.

Ms. Ringer, who was the Register of Copyrights at the time the 1976 Act was negotiated and enacted, recollected that it was the intent and expectation of all relevant parties at that time that the States be subject to all copyright infringement remedies in the same manner as private defendants. She unequivocally supported H.R. 1131, as redrafted, and opposed suggestions to modify the bill by making States exempt from attorneys' fees and statutory damages, and by granting jurisdiction over copyright matters to State courts. Messrs. Kutz and van den Berg testified that the inability of copyright owners to recover money damages had already had a direct and negative impact on their businesses, and would continue to do so. Mr. Steinhilber and Mr. Wagner opposed H.R. 1131 as introduced. Mr. Steinhilber suggested that the legislation was premature since there had been "*no* massive violation of copyright laws by states and their instrumentalities. To date, the comments on actual losses are either speculative or isolated and anecdotal in nature." [12] He therefore advocated exempting the States from liability for attorneys' fees and statutory damages. Mr. Wagner suggested that State immunity should be "analogous and complementary to" that of the Federal government or, in the alternative, that

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[12] *Hearings on H.R. 1131, the Copyright Remedy Clarification Act, Before the Subcomm. on Courts, Intellectual Property, and the Admin. of Justice of the House Comm. on the Judiciary,* 101st Cong., 1st Sess. (July 11, 1989), (hereinafter cited as "*Subcommittee Hearings,* July 11, 1989") (statement of August W. Steinhilber at 3 [emphasis in original] [hereinafter cited as "Steinhilber statement"]).

State courts be given concurrent jurisdiction over copyright cases.[13]

On July 25, 1989, with a quorum being present, the Subcommittee held a markup on H.R. 1131. It unanimously adopted an amendment in the nature of a substitute offered by Chairman Kastenmeier, and reported a clean bill. The amendment incorporated the revised draft that had been circulated prior to the Subcommittee's second day of hearings. The purpose of the amendment was to fully conform the bill to the Supreme Court's requirements for abrogation of State sovereign immunity. It (a) strengthened the language of H.R. 1131 by explicitly referring to the Eleventh Amendment and any other sovereign immunity doctrines; (b) incorporated not States, but also State instrumentalities and officers or employees of a State or State instrumentality acting in their official capacities; (c) provided that States are subject to each section of the Copyright Act and the Semiconductor Chip Act that permits the recovery of money or property from defendants; and (d) made the bill prospective only. H.R. 1131 was originally partly retroactive in nature. For a detailed discussion of the amendment in the nature of a substitute, see below.

On July 28, 1989, Chairman Kastenmeier, joined by Representative Moorhead, introduced H.R. 3045, the clean bill.

On October 3, 1989, the Committee on the Judiciary, with a quorum being present, considered H.R. 3045 and reported it favorably by voice vote, no objections being heard.

III. Background

A. What Was Congress' Intent in 1976? Is It Valid Today?

The legislative history of the Act makes it absolutely clear that in 1976, Congress intended to make states fully liable for copyright infringement and subject to all copyright remedies. For example, Congress authorized suit and the imposition of remedies against "anyone" and "any person," and did not exclude States.[14] Furthermore, Congress did exclude the States in certain other areas of the copyright law, [15] but it did not do so in this context.[16]

The hearing record demonstrates that, at that time, educational entities fully understood the Congressional intent. Mr. Steinhilber, who represented the educational community during the negotiations over the 1976 Act, testified that I don't think there was any doubt" that Congress intended in 1976 to make States that in-

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[13] *Subcommittee Hearings*, July 11, 1989 (statement of Allen Wagner [hereinafter cited as "Wagner statement"] at 2,4).

[14] *See, e.g.*, 17 U.S.C. 501 ("Anyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright."); 17 U.S.C. 506 ("Any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain shall be punished. . . .").

[15] *See, e.g.*, 17 U.S.C. 110, exempting certain acts of a governmental body; 17 U.S.C. 601, 602 (repealed), exempting certain actions by States from the Act's manufacturing clause provisions. As Barbara Ringer noted, the Congress would not have created these exemptions if it had not intended that States otherwise fully be liable. *Subcommittee Hearings*, July 11, 1989 (testimony of Barbara Ringer [hereinafter cited as "Ringer testimony"]).

[16] *See generally Johnson* v. *University of Virginia*, 606 F. Supp. 321 (W.D. Va. 1985); *Mills Music, Inc.* v. *Arizona*, 591 F. 2d 1278 (9th Cir. 1979).

fringed copyrights fully liable.[17] Ralph Oman, the Register of Copyrights, stated that:

> The legislative history of the Copyright Act demonstrates that the debate focused on the extent to which Congress should exempt the states from full liability. No one suggested that the states were already immune from liability as to damages under the Eleventh Amendment. No state official requested total exemption from copyright liability.[18]

Chairman Kastenmeier asked Barbara Ringer, the Register of Copyrights in 1976, "[T]here is no doubt in your mind that the 1976 law not only covered States and State entities, but that they—the States and State entities—understood that they were covered by that law at that time?' Ms. Ringer replied, "Absolutely, Mr. Chairman." [19]

B. Is H.R. 3045 Required To Effect a Constitutional Abrogation of State Sovereign Immunity?

Congressional intent to abrogate State sovereign immunity can be parsed from the Act itself and from the legislative history. This intent was clear to all interested parties at the time the Act was negotiated and enacted, and the courts correctly construed this to be the intent of the Congress.[20] Obviously, however, at the time the Act was enacted, the Congress did not have the benefit of the Court's subsequent decisions about the constitutional requirements for Congressional abrogation of State sovereign immunity. As Chairman Kastenmeier put it at the Subcommittee hearings, "Had we been far seeing enough to write the language in that Act with great clarity with respect to this question, there wouldn't be a question today. . . ." [21]

Despite the intent of Congress and of the parties involved in the negotiations, the Act appears insufficient to meet the Supreme Court's test set forth in *Atascadero,* and in the five cases decided in the 1988–89 term, *Pennsylvania* v. *Union Gas Co.;* [22] *Hoffman* v. *Connecticut Department of Income Maintenance;* [23] *Will* v. *Michi-*

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[17] *Subcommittee Hearings,* July 11, 1989 (testimony of August W. Steinhilber [hereinafter cited as "Stinhilber testimony"]).

[18] *Hearings on H.R. 1131, the Copyright Remedy Clarification Act, Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary,* 101st Cong., 1st Sess. (*hereinafter* cited as "*Subcommittee Hearings,* April 12, 1989") (statement of Ralph Oman, Register of Copyrights) [hereinafter cited as "Oman statement"] at 26–7).

[19] *Subcommittee Hearings,* July 11, 1989 (Ringer testimony). Ms. Ringer elaborated on this point in her written statement.

> "[T]here is no question in my mind that, in enacting the 1976 copyright revision, Congress intended to make States liable for copyright infringement. Representatives of State instrumentalities testified and submitted statements here and in the Senate, and participated in literally hundreds of meetings and negotiations that led to the many compromises embodied in the act. There was a universal assumption that State infringements would result in money damages, and as far as I know the question of sovereign immunity was never raised by anyone." *Subcommittee Hearings,* July 11, 1989 (statement of Barbara Ringer [hereinafter cited as "Ringer statement"] at 7).

[20] 20 *See, e.g., Johnson* v. *University of Virginia,* 606 F. Supp. 321 (W.D. Va. 1985); *Mills Music, Inc.* v. *Arizona,* 591 F. 2d 1278 (9th Cir. 1979).

[21] *Subcommittee Hearings,* July 11, 1989.

[22] 57 U.S.L.W. 4662 (U.S. Jun. 15, 1989) (No. 87–1241).

[23] 57 U.S.L.W. 4915 (U.S. Jun. 23, 1989) (No. 87–412).

gan Department of State Police;[24] *Dellmuth* v. *Muth;*[25] *and Missouri* v. *Jenkins.*[26] As the Court stated in *Dellmuth* v. *Muth,*

> Legislative history generally will be irrelevant to a judicial inquiry into whether Congress intended to abrogate the Eleventh Amendment. If Congress' intention is "unmistakably clear in the language of the statute," recourse to legislative history will be unnecessary; if Congress' intention is not unmistakably clear, recourse to legislative history will be futile, because by definition the rule of *Atascadero* will not be met.[27]

These cases hold that there is in effect a presumption that Federal statute does not authorize the awarding of money damages against States, and that relief will be limited to injunctions or declaratory judgments. Only if the statutory language meets the Court's stringent standard will that presumption be rebutted.

These cases also decide a critical point that *Atascadero* left open: Congress has authority under its Article I powers to abrogate State sovereign immunity. Congress' power under the Fourteenth Amendment has been repeatedly upheld,[28] but in *Pennsylvania* v. *Union Gas,* the Court held that Congress has the power to abrogate under the Commerce Clause of Article I. The Committee believes that the *Union Gas* reasoning applies equally to the Copyright Clause of Article I. Indeed, as Justice Scalia analogously noted in his concurring opinion in *Hoffman* v. *Connecticut Department of Income Maintenance,* there is no basis for treating Congress' power under the Bankruptcy Clause of Article I any differently from that arising under the Commerce Clause.[29] Similarly, Justice White, in his concurring opinion in *Union Gas,* apparently found no such distinction appropriate. He wrote that "Congress has the authority under *Article I* to abrogate the Eleventh Amendment immunity of the States. * * *" [30] Justice Marshall, in his dissenting opinion in *Hoffman,* agreed that Congressional power under both the Commerce and Bankruptcy Clauses should be treated equally, and added that "both constitutional provisions give Congress plenary power over national economic activity." [31] In the Committee's opinion, because the same reasoning applies to the Copyright Clause, H.R. 3045 effects a constitutional abrogation of State sovereign immunity.[32]

Testimony at the hearings was unanimous that H.R. 3045, as redrafted, was sufficiently clear to express that Congressional intent.[33]

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[24] 57 U.S.L.W. 4677 (U.S. Jun. 15, 1989) (No. 87-1207).
[25] 57 U.S.L.W. 4720 (U.S. Jun. 15, 1989) (No. 87-1855).
[26] 57 U.S.L.W. 4735 (U.S. Jun. 19, 1989) (No. 88-64).
[27] 57 U.S.L.W. at 4722, quoting *Atascadero State Hospital* v. *Scanlon,* 473 U.S. 234, 242 (1985).
[28] *See* Copyright Office Report, *supra* note 5, and cases cited therein.
[29] 57 U.S.L.W. at 4917 (Scalia, J., concurring).
[30] 57 U.S.L.W. at 4672 (emphasis added) (White, J., concurring).
[31] 57 U.S.L.W. at 4919 (Marshall, J., dissenting).
[32] The witnesses at the Subcommittee hearings testified in support of this conclusion. *See, e.g., Subcommittee Hearings,* July 11, 1989 (testimony of Carol Lee [hereinafter cited as "Lee testimony"], Ringer testimony).
[33] *Subcommittee Hearings,* July 11, 1989 (Steinhilber testimony; *see also,* Ringer testimony).

C. Has the State Sovereign Immunity Bar Caused Actual Harm to Copyright Holders?

Both August Steinhilber and Allen Wagner suggested that no actual harm had yet occurred as a result of the application of State sovereign immunity in copyright cases and that therefore the legislation was premature.[34]

The Committee believes, to the contrary, that actual harm has occurred and will continue to occur if this legislation is not enacted. The Copyright Office report and testimony are persuasive on this issue. For example, the Register of Copyrights testified that "there are approximately $1.1 billion of book sales to entities with potential Eleventh Amendment immunity who can copy and seriously erode the market." [35] The Copyright Office view is buttressed by other evidence, such as the testimony of Barbara Ringer, Myer Kutz, and Bert P. van den Berg. They cited the extensive use of copyrighted materials by the States, described current problems with the inability to obtain monetary relief, and predicted that, as awareness of the judicial findings of immunity spread, States would increasingly avail themselves of this protection. In fact, they posited that States might ultimately come to view immunity from monetary relief as comparable to immunity from liability, with a resulting increase in copyright violations.[36] In this context, a letter from Eamon Fennessy, President of the Copyright Clearance Center, described the withdrawal of two public universities from discussions about photocopy licenses as a result of judicial decisions upholding assertions of sovereign immunity.[37]

According to the report of the Register of Copyrights,

> The Copyright Office is convinced that Congress intended to hold states responsible under the federal copyright law and that copyright proprietors have demonstrated that they will suffer immediate harm if they are unable to sue infringing states in federal court.[38]

The Committee agrees.

D. Are Money Damages Necessary To Adequately Compensate Copyright Holders?

Mr. Steinhilber also argued that injunctive relief could be considered sufficient protection for copyright owners whose rights are violated.[39] The Committee believes, however, that injunctive relief is not alone an adequate remedy, and that actual damages must be available to fully protect copyright owners. Injunctive relief is often obtained only at great cost. It deters only future conduct, and does not compensate for past harm.[40] As Mr. van den Berg noted,

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[34] *Subcommittee Hearings*, July 11, 1989 (Steinhilber statement at 2-3; Wagner statement at 3-4).

[35] *Subcommittee Hearings*, April 12, 1989 (Oman statement at 4).

[36] *Subcommittee Hearings*, July 11, 1989 (statement of the Copyright Remedies Coalition at 20 [hereinafter cited as "CRC statement"]).

[37] *Id.* at Attachment B, Letter to Ambassador Nicholas A. Veliotes, President, Association of American Publishers, from Eamon T. Fennessy, President, Copyright Clearance Center, Inc., (Jan. 3, 1989).

[38] Copyright Office Report, *supra* note 5, at 103.

[39] *Subcommittee Hearings*, July 11, 1989 (Steinhilber statement at 3).

[40] *See, e.g., Subcommittee Hearings*, July 11, 1989 (Ringer testimony; CRC statement at 15-21).

> Quite a few [software] programs are sold over-the-counter at retail outlets. There is nothing to prevent any employee from a state agency from purchasing the software and then making any number of copies. Should the software developer discover this infringement, be it months or years after the fact, his or her only recourse is an injunction against *further* infringement." [41]

In this context, Mr. Steinhilber acknowledged that "we still have a responsibility for actual damage. We hurt somebody, we should be held [liable]." [42]

E. Should the States Be Liable for Statutory Damages and Attorneys' Fees?

In the event that the legislation did proceed, Messrs. Steinhilber and Wagner advocated exempting States from liability for statutory damages and attorneys' fees.[43] Mr. Steinhilber, for example, argued that it is not

> appropriate [that] public funds from taxpayers be used to pay statutory damages which may be in excess of the actual damages suffered by a copyright owner * * * [and that] attorney's fees [are not] apropriate in cases involving state governments when the issue is purely economic and will normally affect a single entity.[44]

The Committee rejects these proposals. It agrees with the testimony of the former Register of Copyrights, Barbara Ringer, that:

> A reality of copyright life is that, for individual authors and small entrepreneurs, statutory damages and attorney's fees are the difference between protection and loss of rights. Unless there is some reasonable possibility of monetary recovery, a lawyer will not take a copyright case no matter how blatant the infringement.[45]

F. Should State Courts Be Granted Concurrent Jurisdiction Over Copyright Cases?

Allen Wagner, while acknowledging that the Federal copyright laws apply to States,[46] advocated giving the State courts jurisdiction over copyright cases.[47] Concurrent jurisdiction creates the potential for differing standards and results, depending on whether the forum is State or Federal. Given that an essential premise of the Act is to create a uniform Federal system for the creation and enforcement of copyrights, the Committee rejects this suggestion.[48]

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[41] *Subcommittee Hearings*, July 11, 1989 (statement of Bert P. van den Berg at 3 [emphasis in original]).
[42] *Subcommittee Hearings*, July 11, 1989 (Steinhilber testimony).
[43] *Subcommittee Hearings*, July 11, 1989 (testimony of Allen Wagner [hereinafter cited as "Wagner testimony"]; Steinhilber statement at 4).
[44] *Subcommittee Hearings*, July 11, 1989 (Steinhilber statement at 4).
[45] *Subcommittee Hearings*, July 11, 1989 (Ringer statement at 11).
[46] *Subcommittee Hearings*, July 11, 1989 (Wagner statement at 1).
[47] *Id.* at 2, 4.
[48] *Subcommittee Hearings*, July 11, 1989 (*see* Ringer testimony).

G. Should State Sovereign Immunity in Copyright Cases Be Comparable to That of the Federal Government?

Ms. Lee and Ms. Ringer also persuasively refuted Mr. Wagner's second suggestion, that State sovereign immunity be made comparable to that of the Federal government.[49] They pointed out that Federal copyright immunity is almost exactly opposite to the system that has been judicially created for the States.[50] Ms. Ringer also suggested that fairness dictated that if States were to be granted immunity, they should be denied the ability to copyright their own works,[51] as is the Federal government.[52]

H. Conclusion

As a result of the 1976 negotiations, the Congress specifically decided that the full panoply of remedies provided in the 1976 Act was necessary to vindicate the legitimate rights of a copyright owner in an infringement suit against any defendant, including a State. This legislative decision continues to be valid today. As the Register of Copyrights has noted,

> There is no policy justification for full state immunity to copyright damage suits. Injunctive relief alone is inadequate. Nor would it be fair to leave the state damage-proof and require copyright owners to seek out some compensation through suits against state officials as individuals . . . [N]o official made any policy argument that the states should be exempt from copyright liability [during preparation of the Copyright Office report].[53]

In addition, the Committee believes that copyright owners would be forced to compensate for any State immunity from money damages by raising the prices they charge other users of their works, including local and municipal governments,[54] private educational institutions, and the like. This is an unacceptable result.

Finally, the Committee finds that it would be anomalous and unjustified for State educational institutions to be exempt from certain remedies, while private institutions are not.[55] This is especially so since States themselves are often copyright holders. Under this proposed scenario, and in an oft-cited example, the University of California at Los Angeles could sue its cross-town counterpart, the University of Southern California, for the full array of copyright remedies, but USC could sue UCLA only for injunctive relief. As Chairman Kastenmeier has noted, this would create two sys-

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[49] *Subcommittee Hearings*, July 11, 1989 (Wagner statement at 4).
[50] *Subcommittee Hearings*, July 11, 1989 (Lee testimony; Ringer testimony).
[51] *Subcommittee Hearings*, July 11, 1989 (Ringer testimony).
[52] 17 U.S.C. 105.
[53] *Subcommittee Hearings*, April 12, 1989 (Oman statement at 27). The American Bar Association also supports enctment of the Copyright Remedy Clarification Act. Letter to the Honorable Robert W. Kastenmeier, Chairman, House Committee on the Judiciary Subcommittee on Courts, Intellectual Property, and the Administration of Justice, from Robert D. Evans, Director, Governmental Affairs Office, American Bar Association (Mar. 24, 1989).
[54] In general, local and municipal governments do not enjoy Eleventh Amendment immunity in their own right. *Mt. Healthy City Bd. of Ed.* v. *Doyle*, 429 U.S. 274, 280 (1977); *Lincoln County* v. *Luning*, 133 U.S. 529, 530 (1890). The Amendment only bars relief against such entities if the practical effect would be to draw funds from the State treasury. *Pennhurst State School and Hosp.* v. *Halderman*, 465 U.S. 89, 123 n. 34 (1984).
[55] *Subcommittee Hearings*, July 11, 1989, (Ringer testimony; *see* statement of Myer Kutz at 4).

tems, dependent on who the defendant is—a result inconsistent with the uniform Federal system envisioned by the Congress in 1976.[56] The Committee finds no policy justification for such a distinction, and therefore rejects it.

In 1976, the many competing interests in the Act were delicately balanced and compromises were carefully made. The interests of the States were specifically taken into account at that time, and continue to be considered today. These interests, when balanced against those of copyright owners, dictate the same result as in 1976. As Chairman Kastenmeier stated in his remarks upon introduction of H.R. 1131,

> As chairman of the subcommittee and responsible for the copyright law revision effort which culminated in the present law, I cannot help but recall that [in] enacting the 1976 Copyright Act, Congress specifically focused debate on the extent to which States and their agencies utilized copyrighted works and should be either liable for or exempt from infringement * * *. Until the recent application of the Supreme Court's strict test of Eleventh Amendment abrogation, it seemed clear that the language and history of the 1976 statute reflected Congress' intent to hold states responsible under the federal copyright law.[57]

The Committee agrees. The Copyright Remedy Clarification Act is just that; a clarification that the intent of Congress when it enacted the Copyright Act in 1976 was to make States liable for violations of the Copyright Act, and to apply to them all remedies available against private defendants.

In sum, this Committee has carefully reconsidered the policy justifications for making States fully liable for copyright and mask work violations. It has concluded once again that no matter whether the defendant is a State or a private entity, effective remedies for such violations must be provided if the Constitutionally mandated incentive to create is to be protected. Abrogation of State sovereign immunity is therefore fully warranted.

IV. Section-by-Section Analysis

As noted above, the various Supreme Court decisions on sovereign immunity make it clear that there is in effect a presumption that a Federal statute does not authorize the awarding of money damages against States, and that relief will be limited to injunctions or declaratory judgments unless Congressional intent to abrogate is explicitly and unambiguously set forth in the statute. Ordinary rules of statutory construction will not suffice in this context. It is not enough for a statute to apply remedies to "any person," "any entity," or "anyone," even if the definitions of those terms specifically include States. Legislative history describing Congressional intent to include States is irrelevant.

There are therefore two basic premises to H.R. 3045: (1) States are liable for violations of the Copyright Act and the Semiconduc-

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[56] *Subcommittee Hearings*, July 11, 1989.
[57] 135 Cong. Rec. E525 (daily ed. Feb. 27, 1989) (statement of Rep. Kastenmeier).

tor Chip Protection Act and (2) money damages and attorneys' fees are available against States sued for such violations.

Section 1

This section sets forth the bill's short title, the "Copyright Remedy Clarification Act."

Section 2

H.R. 3045 amends section 501(a) of title 17 to define "anyone" to include "any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity." The same definition is set forth for the term "any person," as used in section 901(a) of title 17. Those encompassed within these definitions are specifically made "subject to the provisions of [title 17] in the same manner and to the same extent as any nongovernmental entity."

Although, as noted above, such a definitional approach is not alone sufficient to abrogate State sovereign immunity, it is a necessary first component of the comprehensive approach taken in H.R. 3045.

The second component, set forth in new section 511(a), and in new subsection (g)(1) of section 911, of title 17, is based on the Rehabilitation Act Amendments of 1986,[58] which Supreme Court opinions have twice cited as an example of Congress's ability to abrogate the Eleventh Amendment when it wanted to do so.[59] This second component explicitly refers to the Eleventh Amendment and any other doctrine of sovereign immunity. It states that "[a]ny State, and instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity" is not immune, under the Eleventh Amendment or any other sovereign immunity doctrine, from suit in Federal court by any person violations of certain rights. Those rights relating to copyright are set forth in sections 106 through 199, section 602, and any other sections of title 17 relating to violations of that title. In the case of mask works, violations are those of any of the exclusive rights of the owner of a mask work under chapter 5 of title 17, or any other violation under chapter 5.[60] In both cases, whether the plaintiff is a governmental or private entity is irrelevent.

New section 511(a) and new subsection (g)(1) of section 911 refer not only to States, but also to State instrumentalities. This ensures that entities created or financially supported by States will not be found immune under the Eleventh Amendment. State educational institutions, for example, have successfully asserted such immunity.[61]

These sections also refer to officers or employees of a State or State instrumentality who are acting in their official capacity.

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[58] Pub L. No. 99-506; 100 Stat. 1807 (1986).

[59] *Dellmuth*, v. *Muth*, 57 U.S.L.W. at 4722; *Pennsylvania* v. *Union Gas*, 57 U.S.L.W. at 4672 n. 7 (White, J., concurring).

[60] With one minor exception, references to "this title" or to "title 17" in chapters 1 through 8 of title 17 do not apply to chapter 5. 17 U.S.C. 912 (b).

[61] *See, e.g., BV Engineering* v. *UCLA*, 657 F. Supp. 1246 (C.D. Cal. 1987), *Aff'd*, 858 F. 2d 1294 (9th Cir. 1988), *cert. denied*, 109 S. Ct. 1557 (1989).

While injunctive relief has been available against such officers and employees, money damages have not.[62]

New section 511(b), relating to copyrights, and new subsection (g)(2) of section 911, relating to mask words, provide a third component. They enumerate certain remedies relating to the recovery of money or property that are available for violations of title 17, and provide that they are available against a State, instrumentality of a State, and officer or employee of a State acting in his or her official capacity, to the same extent as they are available against any other public or any private entity. These sections enumerate each such remedy, so that it will be absolutely clear that Congress does not intend to provide only injunctive or declaratory relief. In the case of copyrights, these remedies include impounding and disposition of infringing articles under section 503, actual damages and profits and statutory damages under section 504, costs and attorneys' fees under section 505, and the remedies provided in section 510. In the case of mask works, they include actual damages and profits under subsection (b) of section 911, statutory damages under subsection (c), impounding and disposition of infringing articles under subsection (e), and costs and attorneys' fees under subsection (f).

As noted, the enumerated remedies are those relating to the recovery of money or property. H.R. 3045 also states in general terms that "remedies both at law and in equity" are available against a State, instrumentality of a State, or officer or employee acting in an official capacity. Thus, it makes clear that other remedies that are currently available, such as declaratory and injunctive relief, will continue to be available of plaintiffs suing for violations of the Copyright Act or the Semiconductor Chip Protection Act.

Section 3

This section of the bill provides that the law will apply only to violations occurring after the effective date of the Act. The effective date is the date of enactment.

While H.R. 1131 as originally introduced was partly retroactive, H.R. 3045 is completely prospective. The legislative history of the Rehabilitation Act Amendments of 1986 explains why this is so. Those amendments were made retroactive in the bill originally introduced, but the Justice Department objected on the grounds that it would be unconstitutional to make States liable for money damages for conduct that occurred before the law's effective date. In effect, the Department argued, the States had no notice that they were liable for such relief because there was no Federal statute that abrogated sovereign immunity.[63] Although the Supreme Court has never decided whether Congress may retroactively abrogate State sovereign immunity, caution dictates that H.R. 3045 apply only prospectively.[64]

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[62] *See, e.g., Kentucky,* v *Graham,* 473 U.S. 159, 167 n. 14 (1985); *Alabama* v. *Pugh,* 438 U.S. 781 (1978).

[63] Letter to Senator Orrin G. Hatch from Ass't Atty' Gen. John R. Bolton (July 13, 1986) printed in 132. Cong. Rec. S15105–06 (daily ed. Oct. 3, 1986).

[64] Barbara Ringer advised the Subcommittee that there was no need to take the risk of applying the law retroactively, given that such application would be limited to only three years, the statute of limitations for copyright violations. *Subcommittee Hearings,* July 11, 1989 (Ringer statement)

V. Federal Advisory Committee Act of 1972

The Committee finds that this legislation does not create any new advisory committee within the meaning of the Federal Advisory Committee Act of 1972.

VI. Oversight Findings

The Committee makes no oversight findings with respect to this legislation.

In regard to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

VII. Statement of the Committee on Government Operations

No statement on the legislation has been received from the House Committee on Government Operations.

VIII. New Budget Authority

In regard to clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the bill creates no new budget authority or increased tax expenditures for the Federal judiciary.

IX. Inflationary Impact Statement

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee feels that the bill will have no foreseeable inflationary impact on prices or costs in the operation of the national economy.

X. Cost Estimate

In regard to clause 7 of rule XIII of the Rules of the House of Representatives, the Committee agrees with the cost estimate of the Congressional Budget Office.

XI. Statement of the Congressional Budget Office

U.S. Congress,
Congressional Budget Office,
Washington, DC, October 11, 1989.

Hon. Jack Brooks,
Chairman, Committee on the Judiciary, House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed H.R. 3045, the Copyright Remedy Clarification Act, as ordered reported by the House Committee on the Judiciary, October 3, 1989. Based on information from the Copyright Office, we expect that enactment of the bill would result in no cost to the federal government.

In 1985, the U.S. Supreme Court, in *Atascadero State Hospital* v. *Scanlon,* held that Congressional intent to abrogate state sovereign immunity must be explicitly stated in law. A number of federal circuit courts have applied this reasoning to copyright law in deciding that sovereign immunity bars plaintiffs in copyright infringement

suits from recovering money damages from state defendants. H.R. 3045 would specify in law that states and their instrumentalities may be held liable for money damages for infringement of copyrighted materials.

Enactment of the bill would result in some costs to state and local governments to the extent that money damages are awarded for copyright infringement suits that are successfully brought against the states. We cannot estimate these costs, because they would depend on the extent and results of legal actions that we cannot predict. It is unlikely that the costs incurred by states and localities would be substantial.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Douglas Criscitello, who can be reached at 226–2860.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

XII. COMMITTEE VOTE

On October 3, 1989, the Committee, with a quorum of Members being present, favorably reported H.R. 3045 by voice vote, no objections being heard.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, H.R. 3045, as H.R. 3045 reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 17, United States Code

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CHAPTER 5.—COPYRIGHT INFRINGEMENT AND REMEDIES

Sec.
501. Infringement of copyright.

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Sec. 511. Liability of States, instrumentalities of States, and State officials for infringement of copyright.

§ 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118, or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright. *As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provi-*

sions of this title in the same manner and to the same extent as any nongovernmental entity.

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§ 511. Liability of States, instrumentalities of States, and State officials for infringement of copyright

(a) IN GENERAL.—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for a violation of any of the exclusive rights of a copyright owner provided by sections 106 through 119, for importing copies of phonorecords in violation of section 602, or for any other violation under this title.

(b) REMEDIES.—In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any public or private entity other than a State, instrumentality of a State, or officer or employee of a State acting in his or her official capacity. Such remedies include impounding and disposition of infringing articles under section 503, actual damages and profits and statutory damages under section 504, costs and attorney's fees under section 505, and the remedies provided in section 510.

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CHAPTER 9—PROTECTION OF SEMICONDUCTOR CHIP PRODUCTS

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§ 910. Enforcement of exclusive rights

(a) Except as otherwise provided in this chapter, any person who violates any of the exclusive rights of the owner of a mask work under this chapter, by conduct in or affecting commerce, shall be liable as an infringer of such rights. *As used in this subsection, the term "any person" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.*

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§ 911. Civil actions

(a) * * *

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(g)(1) Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her capacity, shall not be immune, under the Eleventh Amendment

of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for a violation of any of the exclusive rights of the owner of a mask work under this chapter, or for any other violation under this chapter.

(2) In a suit described in paragraph (1) for a violation described in that paragraph, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any public or private entity other than a State, instrumentality of a State, or officer or employee of a State acting in his or her official capacity. Such remedies include actual damages and profits under subsection (b), statutory damages under subsection (c), impounding and disposition of infringing articles under subsection (e), and costs and attorney's fees under subsection (f).

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